
SUCCESSOR AGENCY to the REDEVELOPMENT AGENCY of the CITY of BURBANK

DATE: September 26, 2013

TO: OVERSIGHT BOARD

FROM: Ruth Davidson-Guerra, Assistant Community Development Director/
Successor Agency Implementing Official

**SUBJECT: DEBT BETWEEN THE CITY AND THE FORMER REDEVELOPMENT
AGENCY OF THE CITY OF BURBANK**

RECOMMENDATION

Staff recommends the Oversight Board approve the proposed resolution entitled:

“A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF BURBANK FINDING THAT EACH LOAN ENTERED INTO BETWEEN THE CITY OF BURBANK AND THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF BURBANK WAS FOR A LEGITIMATE REDEVELOPMENT PURPOSE AND ARE ENFORCEABLE OBLIGATIONS”.

BACKGROUND

After the Department of Finance (DOF) has issued a Finding of Completion to a Successor Agency, in accordance with Health and Safety Code, Section 34191.4 (as added by AB 1484) loan agreements between the former redevelopment agency and sponsoring entity (in this case, the City of Burbank, or “City”) may be placed on the Successor Agency Recognized Obligation Payment Schedule (ROPS); provided the Oversight Board finds the loans were made for legitimate redevelopment purposes. On May 16, 2013, the Successor Agency was issued its Finding of Completion (Exhibit A).

The former Redevelopment Agency Board of the City of Burbank and the City Council confirmed this outstanding debt and adopted Resolution No. R-2246 and Resolution No. 28,301 in March, 2011.

The Successor Agency had previously argued to DOF many times that all disbursements to the Redevelopment Agency from the City arose out of 1970 Agreement Establishing Certain City-Agency Relations, and as such payments to the City should have been permitted on the earlier ROPS. DOF did not accept that argument. The outstanding loans and advances by the City to the former Redevelopment Agency (RDA) are characterized as four loans, and now can be paid back to the City in accordance with

Section 34191.4. These loans were presented, to the Oversight Board several times¹ and there are currently four outstanding loans between the City and the former Redevelopment Agency of the City of Burbank, with the following balances:

City Centre	\$40,412,000
City Centre Sales Tax Coop	\$12,401,114
West Olive	\$ 202,500
South San Fernando	\$ 172,243
TOTAL OUTSTANDING DEBT	\$53,187,995

Exhibits B, C, D and E are the specific legal documents related to these four remaining loans (as provided at the initial meeting of the Oversight Board). Exhibit F offers a snapshot of the loan balances that were in effect in March 2011, less the pay-down made via ROPS-I, and the remaining, current balances. ROPS-II, ROPS-III, and ROPS 13-14A only listed two of the loans (City Centre and West Olive) because the fair market value of certain real estate transfers from the RDA to the City was applied to the outstanding debt, resulting in the pay down of the City Centre Sales Tax Coop and South San Fernando loans. As we are moving through the wind-down process, these real estate transfers are reversed and all current, outstanding loan amounts are reflected above and on Exhibit F. This action is consistent with the State Controller's letter ordering the Successor Agency to reverse all transfers made after Jan 1, 2011. That letter is attached as Exhibit G.

Each of these four loans between the City and the RDA are being presented to the Oversight Board for a finding that they were for "legitimate redevelopment purposes", and are described below. Once that finding is made, the obligation to repay these loans can be listed on the ROPS. Repayment will occur under a specified formula set forth in the law, of which 20% will be deducted from the loan repayment amount and transferred to the Low and Moderate Income Housing Fund.

A. BURBANK TOWN CENTER RELATED LOANS & ADVANCES

1) City Centre Loan– Current Balance \$40,412,000 (Exhibit B)

In 1985 the City and RDA executed a cooperation agreement totaling \$49.621 million. These funds were used to assemble a 41-acre project site, now known as the Burbank Town Center. Site assembly costs included expenses related to: acquisition;

¹ Loan documents were presented during the first meeting of the Oversight Board on May 14, 2012 in hard copy format in a set of two binders. Loan documents were included as Tab #16, Tab #17, Tab #18, and Tab #19, which corresponded to ROPS-I enforceable obligations on lines #16, #17, #18, and #19, respectively. ROPS-I also included a 1/10 loan reimbursement payment, which was approved by the Oversight Board and the DOF (and was also upheld as approved by the DOF during the Non-Housing Due Diligence Review process). ROPS-II continued to list two loans as lines #15 and #16 (West Olive and City Centre). ROPS-III listed these same two loans as lines #22 and #23, respectively, but were denied by the DOF. Finally, under DOF's new format, ROPS 13-14A was "pre-populated" with the same two lines #22 and #23 (denied during ROPS III process). Copies of these loan documents have been attached herewith as Exhibits B, C, D and E for convenience.

relocation; environmental assessment; and a variety of “soft” costs such as appraisal, survey, engineering, financial, and other such services.

2) City Centre Sales Tax Loan – Current Balance \$12,401,114 (Exhibit C)

i) Background to this note: As part of the sale of the cleared and assembled forty-one acres, the Agency and the mall developer (Alexander Haagen) entered into a Disposition and Development Agreement (and later a First and Second Implementation Agreement). The Agency agreed to pay the mall developer an amount of money equal to all of the sales tax generated by a portion of the mall near Macy’s (then Bullocks) and from certain commercial buildings adjacent to the mall and built as part of the mall deal (then Circuit City, El Pollo Loco, and Office Depot). The funds were to be used to help finance construction of portions of the mall, adjacent commercial buildings, and related parking. At that time, the City Center Project Area did not generate enough cash flow to allow the Agency to pay the mall developer this money, so the only way the mall developer could be paid was by the City rebating the sales tax directly to the mall developer.

ii) Sales Tax Coop: In 1995 and 1998, the City and Agency entered into cooperation agreements and promissory notes that required the Agency to repay City those amounts that the City directly rebated to the mall developer. Without this sales tax rebate, and without the City’s involvement at that time, portions of the mall and related commercial buildings and parking would not have been constructed.

B. LOANS & ADVANCES FOR PRE/POST PROJECT AREA FORMATION

1) West Olive Loan– Current Balance \$202,500 (Exhibit D)

With the establishment of the West Olive Redevelopment Project in 1976, the City and RDA entered into advances/loans totaling \$225,000, between the years of 1977 through 1979. These advances/loans included a seven percent, per year, interest rate. However, no interest will be applied on a go-forward basis. These loan funds were used to pay Project Area costs in the early years when tax increment revenues from the Project Area were very limited, as was a common practice in all redevelopment agencies.

2) South San Fernando Loan – Current Balance \$172,243 (Exhibit E)

In 1998 the City and RDA executed a cooperation agreement to document a City loan of \$191,381. These funds were used for consultant costs related to the planning, and formation of the South San Fernando Redevelopment Project Area, and other early formation related expenses. The project area was established in July 1997.

ANALYSIS

As described above, the Oversight Board is being requested to make a finding that the four remaining loans between the City and former RDA were for legitimate redevelopment purposes. Staff believes that this finding is appropriate. Two of the loans revolve around the the largest redevelopment project built in the City, over forty-one acres, now known as the Burbank Town Center (including related commercial parcels surrounding the mall). The other two loans involve formation related costs and advancements during early days

of project areas in West Olive and in South San Fernando Project Areas. In making a finding that the loans were for legitimate redevelopment purposes, it is necessary to understand what redevelopment purposes means. Health and Safety Code Section 33020 defines redevelopment as the “planning, development, re-planning, redesign, clearance, reconstruction, or rehabilitation, or any combination of these, of all or part of a survey area, and the provision of those residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them ...”.

The two loans relating to the Burbank Town Center are for legitimate redevelopment purposes in that they involved planning, development, and site clearance, of all or part of a survey area/project area, and the provision of commercial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare. The two loans relating to the formation and early days of West Olive and South San Fernando Project Areas are legitimate redevelopment purposes in that planning all or part of a survey area occurred, which allowed the provision of residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

CONCLUSION

The subject loans were all made to further the goals and mission of the Burbank Redevelopment Agency, and staff recommends the Oversight Board approve the proposed resolution, finding that each of the four loans were for legitimate redevelopment purposes, and are enforceable obligations. The Successor Agency Implementing Official is further instructed to place each loan repayment on all ROPS, beginning with ROPS13-14B, until full reimbursement is completed (pending approval of the DOF).

EXHIBITS

- A - DOF's Finding of Completion Letter (May 16, 2013)
- B - City Centre – Current Balance \$40,412,000
- C - City Centre Sales Tax Coop – Current Balance \$12,401,114
- D - West Olive – Current Balance \$202,500
- E - South San Fernando – Current Balance \$172,243
- F - Snapshot of City/RDA Debt
- G - State Controller's Letter (reverse all property transactions, March 15, 2012)